

AMENDED IN SENATE JUNE 10, 2008

AMENDED IN SENATE AUGUST 31, 2007

AMENDED IN SENATE AUGUST 20, 2007

AMENDED IN SENATE JUNE 28, 2007

AMENDED IN ASSEMBLY APRIL 26, 2007

AMENDED IN ASSEMBLY APRIL 18, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 690

Introduced by Assembly Member Jones

February 21, 2007

~~An act to add Sections 745, 746, and 746.5 to the Public Utilities Code, relating to water corporations. An act to add Section 13084 to the Government Code, relating to childhood poverty.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 690, as amended, Jones. ~~Water corporations: rates. Social services: childhood poverty.~~

Existing law authorizes the Joint Legislative Budget Committee to appoint a Legislative Analyst and other clerical and technical employees as may appear necessary. The California Constitution requires the Governor to submit to the Legislature a budget proposal on or before January 10 of each year.

This bill would declare that it is the goal of the Legislature to reduce childhood poverty by $\frac{1}{2}$ by January 1, 2018, and to eliminate it entirely by January 1, 2028.

This bill would, beginning in 2011, require the Legislative Analyst to include in his or her analysis of the annual Governor's Budget proposal, a report to the Legislature on the impact of the proposed budget on the state's goal of reducing childhood poverty.

~~(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including water corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.~~

~~This bill would require the commission to establish a schedule for a general rate case review of the rates and operations of every water corporation that has between 2,000 and 9,999 service connections not less than every 3 years, and of every water corporation that has between 500 and 1,999 service connections not less than every 5 years. The commission would be required to include findings regarding the adequacy of the water supply and investment in the water system in each general rate case review.~~

~~The bill would, except as otherwise provided, prohibit a water corporation from recovering in rates, a return on equity on funds or loans provided by the state, local governments, or other public agencies.~~

~~The bill would require, if a water corporation receives monetary compensation for damage resulting from contamination of the utility's water supply, that the commission require the water corporation to equitably allocate the compensation between the ratepayers and the water corporation so that both are returned to the same financial position each occupied before the contamination occurred. The commission would be required to ensure that the compensation is expended or invested in repairing the damage or acquiring replacement water supplies. If the compensation is received after the damage has been repaired or replacement water supplies have been acquired, the commission would be required to ensure that the allocation of the compensation offsets the costs of repair or replacement.~~

~~The bill would provide that its requirements apply to decisions of the commission issued after January 1, 2008.~~

~~(2) Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime.~~

~~Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.~~

~~(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~-no.

State-mandated local program: ~~yes~~-no.

The people of the State of California do enact as follows:

1 *SECTION 1. The Legislature finds and declares all of the*
2 *following:*

3 *(a) One in five California children lives in poverty. Seven*
4 *percent of those live in extreme poverty with a family income below*
5 *50 percent of poverty levels. Over 40 percent of children are*
6 *considered low income with family income levels below 200 percent*
7 *of poverty.*

8 *(b) The economic security of families affects every aspect of*
9 *children's lives.*

10 *(c) Poverty and hunger put children at high risk for health,*
11 *developmental, and behavioral problems. The children at greatest*
12 *risk are those who experience poverty when they are young and*
13 *who experience deep and persistent poverty. Child poverty is also*
14 *associated with difficulties later in life, including dropping out of*
15 *school, poor adolescent and adult health, teenage pregnancy, and*
16 *poor employment outcomes.*

17 *(d) One in six poor children in the United States lives in*
18 *California, compared to one in 10 two decades ago.*

19 *(e) Poverty is disproportionately concentrated in families that*
20 *are Latino, African American, Native American, or Southeast*
21 *Asian.*

22 *(f) California alone has accounted for the entire net national*
23 *increase of 800,000 in the number of children living in poverty*
24 *since the late 1970s.*

25 *(g) More than two in three poor children in California live in*
26 *working families with at least one employed parent.*

27 *(h) Parental education is a major factor in determining family*
28 *income.*

1 (i) *Hundreds of thousands of California children are eligible*
2 *for state subsidized child care but do not receive it because there*
3 *are not sufficient child care slots.*

4 (j) *Nearly 800,000 of California's children lack health*
5 *insurance. Fifty-five percent of those children are eligible for the*
6 *Healthy Families Program or Medi-Cal.*

7 (k) *Child support payments are a critical source of economic*
8 *stability for both moderate- and low-income families. California*
9 *collects less than one-half of the current child support due each*
10 *year for families in California, ranking the state 52 out of 54 states*
11 *and territories.*

12 SEC. 2. *The Legislature declares that it is the goal of the*
13 *Legislature to reduce child poverty by one-half by January 1, 2018,*
14 *and to eliminate it entirely by January 1, 2028.*

15 SEC. 3. *Section 13084 is added to the Government Code, to*
16 *read:*

17 13084. *Beginning in 2011, the Legislative Analyst shall, in his*
18 *or her analysis of the annual Governor's Budget proposal, report*
19 *to the Legislature on the impact of the proposed budget on the*
20 *state's goal of reducing childhood poverty.*

21 ~~SECTION 1. The Legislature finds and declares all of the~~
22 ~~following:~~

23 ~~(a) It is the existing policy of the state that rates and charges~~
24 ~~established by the Public Utilities Commission for water service~~
25 ~~provided by water corporations provide revenues and earnings~~
26 ~~sufficient to afford the utility an opportunity to earn a reasonable~~
27 ~~return on its used and useful investment, to attract capital for~~
28 ~~investment on reasonable terms, to ensure the financial integrity~~
29 ~~of the utility, and to minimize the long-term cost of safe and~~
30 ~~reliable water service to water customers.~~

31 ~~(b) It is a basic principle of ratemaking to establish rates that~~
32 ~~permit the utility to recover its costs and expenses reasonably~~
33 ~~incurred in providing service to the public, plus a reasonable return~~
34 ~~on its equity investment in property devoted to public use and~~
35 ~~included in the rate base.~~

36 ~~SEC. 2. The Legislature further finds and declares all of the~~
37 ~~following:~~

38 ~~(a) Groundwater contamination has caused water corporations~~
39 ~~to abandon wells from which the water corporation was still earning~~
40 ~~a rate of return that have been substantially paid for by the utility's~~

1 ratepayers through depreciation costs included in the utility's rates.
2 Many of these wells would have provided many additional years
3 of safe, reliable, and economical water supply but for the
4 contamination.

5 (b) Groundwater contamination has also required many water
6 corporations to develop new sources of water supply that are much
7 more costly than the water that was supplied by the abandoned
8 wells.

9 (c) Many water corporations that have abandoned wells as a
10 result of groundwater contamination have as a result of claims or
11 litigation, obtained compensation for the damage resulting from
12 the contamination from insurers and the parties responsible for the
13 contamination.

14 (d) In those situations where an abandoned well has been paid
15 for in whole or substantial part by the ratepayers of the water
16 corporation, the proceeds of any claim or litigation should be
17 wholly or substantially allocated to reducing the costs to be charged
18 to ratepayers for cleanup of the contamination and for any
19 replacement source of water that may be required as a result of the
20 contamination.

21 (e) It is the policy of this state that to the extent possible, in
22 allocating compensation received by a water corporation in
23 compensation for damage to a source of water supply, that
24 ratepayers of the water corporation should be returned to the same
25 financial position they were in before the contamination occurred.

26 SEC. 3. Section 745 is added to the Public Utilities Code, to
27 read:

28 745. The commission shall establish a schedule for a general
29 rate case review of the rates and operations of every water
30 corporation that has between 2,000 and 9,999 service connections
31 not less than every three years, and of every water corporation that
32 has between 500 and 1,999 service connections not less than every
33 five years. The review shall include findings regarding the
34 adequacy of the water supply and investment in the water system.

35 SEC. 4. Section 746 is added to the Public Utilities Code, to
36 read:

37 746. Except as provided in Section 746.5, a water corporation
38 shall not recover in rates, a return on equity on funds or loans
39 provided by the state, local governments, or other public agencies,
40 except to the extent that those entities are customers of the utility

1 and provide funds to the utility through payments for utility
2 services provided to them under established tariff or contract rates.

3 SEC. 5. Section 746.5 is added to the Public Utilities Code, to
4 read:

5 746.5. (a) If a water corporation receives monetary
6 compensation for damage resulting from contamination of the
7 utility's water supply, the commission shall require the utility to
8 equitably allocate the compensation between the ratepayers and
9 the water corporation so that both the ratepayers and the water
10 corporation are returned to the same financial position each
11 occupied before the contamination occurred.

12 (b) For purposes of this section, an equitable allocation shall
13 consider the relative harm to the water corporation and its
14 ratepayers from the damage.

15 (c) The commission shall ensure that the compensation is
16 expended or invested in repairing the damage or acquiring
17 replacement water supplies. If the compensation is received after
18 the damage has been repaired or replacement water supplies have
19 been acquired, the commission shall ensure that the allocation of
20 the compensation offsets the costs of repair or replacement.

21 SEC. 6. No reimbursement is required by this act pursuant to
22 Section 6 of Article XIII B of the California Constitution because
23 the only costs that may be incurred by a local agency or school
24 district will be incurred because this act creates a new crime or
25 infraction, eliminates a crime or infraction, or changes the penalty
26 for a crime or infraction, within the meaning of Section 17556 of
27 the Government Code, or changes the definition of a crime within
28 the meaning of Section 6 of Article XIII B of the California
29 Constitution.

30 SEC. 7. The requirements of this act apply to decisions of the
31 commission issued after January 1, 2008.